

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. IPC-E-03-13
IDAHO POWER COMPANY FOR AUTHORITY)	
TO INCREASE ITS INTERIM AND BASE)	NOTICE OF PUBLIC
RATES AND CHARGES FOR ELECTRIC)	HEARINGS
SERVICE.)	
)	NOTICE OF PUBLIC
)	COMMENT DEADLINE
)	
)	ORDER NO. 29436

On October 16, 2003, Idaho Power Company (Idaho Power, Company) filed an Application for authority to increase its rates and charges for electric service in Idaho an average of 17.7% effective November 15, 2003. If approved, Company revenues would increase by nearly \$86 million annually. Idaho Power provides electric service to approximately 405,000 residential, commercial, industrial, and irrigation customers in southern Idaho. To allow for additional evidence to be taken before making a final decision, the Commission suspended the Company's proposed effective date pursuant to *Idaho Code* §§ 61-622 and 61-623. Order No. 29369. On December 22, 2003, the Commission issued Order No. 29403 denying the Company's request for an interim rate increase and established a formal hearing schedule. In January 2004, the Commission Staff held public workshops in Boise, Caldwell, Twin Falls, and Pocatello to answer customer questions regarding the Company's Application.

The Commission now wishes to take public testimony in anticipation of the formal evidentiary hearing scheduled for March 29-April 9, 2004. In this Order, the Commission establishes public hearings in five cities to receive customer input on the Company's Application and sets a deadline for public comment.

THE APPLICATION

The Company's Application states that the overall rate of return and return on equity allowed in its last rate case (Case No. IPC-E-94-5) are no longer reasonable and adequate given the Company's increased costs. In Idaho Power's last rate case, the Commission authorized a 9.199% return on rate base of \$1,221,624,208 and an 11% return on common equity. Order No. 25880. According to Idaho Power, the number of customers it serves has grown by 30% since the 1993 test

year used in its last rate case.¹ The Company states it has spent \$156 million for new generating facilities, \$198 million for new transmission facilities, and \$366 million toward the construction of new distribution facilities since 1993. *Id.*

Idaho Power proposes using a 2003 test year adjusted for known and measurable changes, an 11.2% return on common equity, and an overall rate of return of 8.334% on a \$1,547,443,530 rate base. This would result in an additional revenue requirement of \$85,561,910 attributable to the Idaho jurisdiction that is generally composed of the following: 1) significant investments in transmission and distribution facilities; 2) new production facilities including the Danskin Power Plant; 3) hydro facility relicensing costs; 4) increases in power supply costs due to drought and market conditions; 5) increased operations and maintenance expenses; 6) an increase in depreciation expense; and 7) a change in the jurisdictional allocation formula.

Because the cost of providing power to various customer groups differs, the Company proposed varying percentage increases for different customer classes or groups. As a result, the proposed increases for some classes are lower or higher than the proposed average rate increase of 17.7%. The chart below shows an average of all rate components by kilowatt-hour (kWh) for certain customer groups.

Customer Group	Schedule	Current Average Base Rate	Company-Proposed Average Base Rate	Company-Proposed Overall Percentage of Increase
Residential	1	5.17 cents	6.16 cents	19 percent
Small Commercial	7	6.33 cents	7.66 cents	21 percent
Large Commercial	9	3.57 cents	4.11 cents	15 percent
Industrial	19	2.78 cents	3.17 cents	13.9 percent
Irrigation	24	3.72 cents	4.65 cents	25 percent

Idaho Power also proposed increasing the rates of its three special contract customers – J.R. Simplot Company by 3.12%, the Department of Energy (INEEL) by 14.16%, and Micron Technology by 8%. The rates proposed in the Company’s Application do not include the Power Cost Adjustment (PCA), a mechanism that adjusts for fluctuating power supply costs resulting from variable market price and streamflow conditions. However, the Company-proposed rate increases

¹ Idaho Power press release dated October 17, 2003.

listed above do include proposed increases to fixed (customer and minimum) charges, demand charges, and energy charges for applicable customer classes. For example, Idaho Power's request to increase its customer service charge from \$2.51 to \$10.00 is included in the proposed 19% overall residential rate increase.

Idaho Power also requested a change in how the time of year impacts the electric rates charged to the residential, commercial and industrial customer classes. If approved, the price Idaho Power charges its customers during the summer months would reflect the Company's seasonably higher costs of producing or purchasing power. The change would result in summer and non-summer base rates. The proposed energy rate for residential and small commercial customers would be 25% greater during the three summer months of June – August than non-summer months. The proposed rate during the non-summer months would be slightly lower than the current base rates.

POSITIONS OF OTHER PARTIES

In response to Idaho Power's Application and supporting testimony, the Commission Staff and seven (7) intervenors filed testimony last week. These parties oppose many of the positions taken by Idaho Power. For example, the Commission Staff recommended the Commission approve an Idaho jurisdictional revenue requirement of \$498,758,249 rather than the \$569,523,279 proposed by Idaho Power. According to Staff's testimony, approximately \$15 million in additional customer revenue is needed – not the nearly \$86 million requested by the Company. If approved by the Commission, Staff's proposed revenue requirement would require an average 3.06% rate increase for Idaho Power customers. The chart below shows an average of all rate components by kilowatt-hour (kWh) for certain customer groups under Staff's proposal.

Customer Group	Schedule	Current Average Base Rate	Staff-Proposed Average Base Rate	Staff-Proposed Overall Percentage of Increase
Residential	1	5.17 cents	5.30 cents	2.5 percent
Small Commercial	7	6.33 cents	6.60 cents	4.2 percent
Large Commercial	9	3.57 cents	3.61 cents	1.2 percent
Industrial	19	2.78 cents	2.78 cents	0.0 percent
Irrigation	24	3.72 cents	4.29 cents	15.0 percent

For more detailed information, interested persons are encouraged to read the testimony and exhibits of all parties online at: <http://www.puc.state.id.us/fileroom/electric/ipce0313.htm> or in person at the Commission's offices during business hours.

NOTICE OF PUBLIC HEARINGS

YOU ARE HEREBY NOTIFIED that the Commission has scheduled five hearings regarding Idaho Power's Application to gather public input on the proposed rate increase. Customers, local government leaders, and other interested persons are encouraged to attend and testify at the public hearings.

YOU ARE FURTHER NOTIFIED that public hearings will be held in:

- **Pocatello on Monday, March 15, 2004** at City Hall, located at 911 North 7th. The public hearing will begin at 1:00 p.m.
- **Jerome on Monday, March 15, 2004** at the Sawtooth Inn Best Western located at 2653 South Lincoln. The public hearing will begin at 6:30 p.m.
- **McCall on Wednesday, March 17, 2004** at the Best Western, located at 415 North 3rd. The public hearing will begin at 6:30 p.m.
- **Payette on Thursday, March 18, 2004** at the Payette High School Auditorium, located at 1500 6th Avenue South. The public hearing will begin at 2:30 pm.
- **Boise on Wednesday, March 31, 2004** at the Idaho Public Utilities Commission Hearing Room, located at 472 West Washington Street. The public hearing will begin at 6:30 p.m.

YOU ARE FURTHER NOTIFIED that all public hearings in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act. In order to participate in the public hearings, persons needing the help of a sign language interpreter or other assistance may ask the Commission to provide a sign language interpreter or other assistance as required under the Americans with Disabilities Act. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, ID 83720-0074
(208) 334-0338 (TELEPHONE)
(208) 334-3762 (FAX)
E-mail: secretary@puc.state.id.us

YOU ARE FURTHER NOTIFIED that the Company has filed the direct testimony of its witnesses along with their exhibits and workpapers. These documents are on file with the Commission Secretary at the Commission's office where they may be reviewed as a matter of public record during regular business hours. The Company's proposed schedules of rates and charges will also be kept open for public inspection at its offices in the State of Idaho. Interested persons may also view Idaho Power's Application and the testimony of other parties filed thus far at the Commission's web site: www.puc.state.id.us.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF COMMENT DEADLINE

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **on or before Friday, April 30, 2004**. The comment must contain a statement of reasons supporting the comment. Written comments concerning this Application shall be mailed to the Commission and the Company at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Barton L. Kline
John R. Gale
Idaho Power Company
P.O. Box 70
Boise, ID 83707-0070
Email: bkline@idahopower.com
rgale@idahopower.com

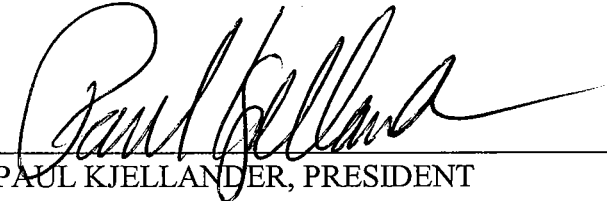
These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions"

icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

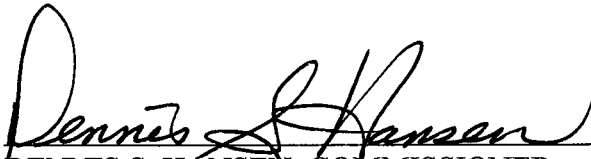
ORDER

IT IS HEREBY ORDERED that the Commission adopts the foregoing public hearing schedule and comment deadline as set forth above.

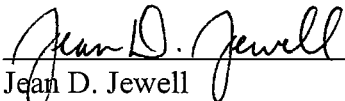
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 27th day of February 2004.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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